

Message Text

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PAGE 01 NAIROB 01590 131453 Z

46

ACTION TRSE-00

INFO OCT-01 AF-10 ADP-00 EB-11 COME-00 OMB-01 ABF-01 FSE-00

PC-04 EUR-25 AGR-20 AID-20 NSC-10 RSC-01 CIEP-02

SAL-01 SS-14 STR-08 CEA-02 PER-05 INRE-00 CIAE-00

DODE-00 INR-09 NSAE-00 PA-03 USIA-12 PRS-01 CU-04

RSR-01 /166 W

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P R 131355 Z MAR 73

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC PRIORITY 1163

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY KAMPALA

UNCLAS NAIROBI 1590

E. O. 11652: N/ A

TAGS: EFIN KE

SUBJECT: KENYA FOREIGN EXCHANGE DEALING RESUMED WITH SLIGHT
APPRECIATION OF SHILLING.

1. CENTRAL BANK OF KENYA ANNOUNCED TODAY REOPENING OF
EXCHANGE DEALINGS, AND ISSUED FOLLOWING RELEASE:
QTE FOLLOWING UPON THE OFFICIAL CLOSURE OF PRINCIPAL
EUROPEAN EXCHANGE MARKETS, FOREIGN EXCHANGE DEALINGS IN
KENYA WERE LIMITED DURING THE LAST WEEK TO TRANSACTIONS
IN DOLLARS FOR THE TOURIST TRADE AND FOR OUTWARD TRAVELLERS.

IT HAS NOW BEEN ANNOUNCED THAT EUROPEAN MARKETS WILL
REMAIN OFFICIALLY CLOSED FOR ANOTHER WEEK, BUT TRANSACTIONS
ARE TAKING PLACE BETWEEN BANKS. THE ABSENCE OF FACILITIES
FOR BUYING AND SELLING FOREIGN EXCHANGE IS A CAUSE OF
SERIOUS INCONVENIENCE AND COULD WELL LEAD TO THE LOSS OF
FOREIGN MARKETS FOR OUR PRINCIPAL EXPORTS. IT IS
CLEAR THAT WE MUST ALL BECOME ACCUSTOMED TO FLOATING
EXCHANGE RATES AND TO WIDER FLUCTUATIONS IN EXCHANGE
RATES.

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PAGE 02 NAIROB 01590 131453 Z

IT HAS THEREFORE BEEN DECIDED THAT THE CENTRAL BANK OF KENYA WILL PROVIDE FULL FACILITIES TO THE COMMERCIAL BANKS SO THAT DEALINGS, INCLUDING FORWARD DEALINGS, MAY BE RESUMED.

TODAY' S QUOTATIONS ARE BASED ON THE MIDDLE RATE OF K SHS. 7 TO ONE U. S. DOLLAR, WHICH IS WITHIN THE 2-1/4 PERCENT MARGIN PERMITTED BY I. M. F. RULES, AND ON THE MARKET RATES FOR U. S. DOLLAR IN APPROPRIATE FOREIGN CENTRES. THIS GOES SOME WAY TOWARD FOLLOWING THE SHARP APPRECIATION IN MARKET VALUE OF THE MAJOR EUROPEAN CURRENCIES. UNQTE

2. COMMENT: COMMERCIAL BANKS, AFTER TAKING THEIR FEES, ARE TODAY BUYING DOLLAR DRAFTS AT RATE OF 6.97 K SHILLINGS TO DOLLAR AND SELLING AT RATE OF 7.03 K SHILLINGS TO DOLLAR. RATE FOR LARGE COMMERCIAL TRANSACTIONS IS IN NEIGHBORHOOD OF 6.99 K. SHS TO DOLLAR. COMPARED WITH FORMER CENTRAL BANK RATE OF 7.14 K. SHS. PER DOLLAR, THE NEW CENTRAL BANK RATE OF 7 K. SHS TO 1. DOLLAR REPRESENTS A VERY SMALL APPRECIATION OF 1.9 PERCENT IN THE SHILLING. WHETHER THIS RATE WILL HOLD DEPENDS ON KENYAN ESTIMATES -- RATHER THAN PRECISE CALCULATIONS -- OF EFFECTS OF FLUCTUATIONS IN EUROPE OF DOLLARS, DEUTCHMARKS, AND STERLING, THE THREE CURRENCIES IN WHICH MOST OF KENYA' S FOREIGN TRADE TRANSACTIONS ARE QUOTED.

3. CENTRAL BANK OFFICER REPORTED TANZANIA IS FOLLOWING KENYA IN APPRECIATION, BUT UGANDA HAS NOT YET DECIDED WHAT TO DO.
MCILVAINE

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